



1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Michael L. Seaman-Huynh and Jacqueline R. Cherry, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record before the Commission the redacted and unredacted pre-filed direct testimony and exhibits of Duke Energy Carolinas witness Ronald A. Jones, and the pre-filed direct testimony and exhibits of M. Elliott Batson, John J. Roebel, David C. Culp and Jane L. McManeus, without objection or cross-examination by the Parties. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits, the supplemental testimony of Duke Energy Carolinas witness Jane L. McManeus supporting the Parties' settlement, and this Settlement Agreement. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. ORS' review of Duke Energy Carolinas' operation of its generating facilities resulted in the conclusion that Duke Energy Carolinas has made reasonable efforts to maximize unit availability and minimize fuel costs. Additionally, ORS has determined that Duke Energy Carolinas took appropriate corrective action with respect to any outages that occurred during the review period.

3. As a compromise to positions advanced by Duke Energy Carolinas, ORS, and SCEUC, all Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties. The Parties agree that:

4. ORS analyzed the cumulative over-recovery of fuel costs that Duke Energy Carolinas had incurred for the period July 2006 through June 2007 totaling \$1,632,482. ORS added the projected under-recovery of \$1,594,797 for the month of July 2007, the projected under-recovery of \$155,662 for the month of August 2007 and the projected over-recovery of \$6,116,009 for the month of September 2007, to arrive at a cumulative over-recovery of \$5,998,032 as of September 2007. Duke Energy Carolinas' cumulative over-recovery, per its testimony in this docket, as of June 2007 totals \$1,937,000, and as of September 2007, the cumulative over-recovery totals \$6,302,000. The difference between Duke Energy Carolinas' and the ORS' cumulative over-recovery as of actual June

2007 totals \$304,518. The difference between Duke Energy Carolinas' and ORS' cumulative over-recovery, as of September 2007 totals \$303,968. The Parties agree to accept all accounting adjustments as put forth in ORS witness Cherry's pre-filed direct testimony.

5. The Parties agree that the fuel factors contained in the prefiled direct testimony and exhibits of Duke Energy Carolinas' witness Jane L. McManeus represent the appropriate fuel costs, environmental costs, and combined projected fuel factors for Duke Energy Carolinas to charge for the period beginning with the first billing cycle in October 2007 through the last billing cycle of September 2008 by customer class as set forth in the table below:

**Summary ¢/KWH**

<b>Customer Class</b>	<b>SC Fuel Cost from McManeus Exhibit 6</b>	<b>SC Environmental Costs from McManeus Exhibits 7 &amp; 8</b>	<b>Combined Projected Fuel Factor from McManeus Exhibit 9</b>
1 Residential	1.7457	0.0758	1.8215
2 General Service/Lighting	1.7457	0.0600	1.8057
3 Industrial	1.7457	0.0372	1.7829

6. The Parties agree that the fuel factors as set forth in Paragraph 5 above are consistent with 2007 S.C. Acts 16. Fuel costs for periods beginning on July 1, 2007, and thereafter shall be open issues for determination by the Commission in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. §58-27-865 as amended by 2007 S.C. Acts 16.

7. The Parties agree that in an effort to keep the Parties and Duke Energy Carolinas' customers informed of the over/under recovery balances related to fuel costs and of Duke Energy Carolinas' commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, Duke Energy Carolinas will provide to SCEUC, ORS, and where applicable, its customers the following information:

(a) copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and

(b) a quarterly forecast continuing November 30, 2007 of the expected fuel factor to be set at its next annual fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for natural gas, coal, oil and other fuel required for generation of electricity. Duke Energy Carolinas will use commercially reasonable efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

8. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues currently pending in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

9. The Parties agree that any and all challenges to Duke Energy Carolinas' historical fuel costs and revenues for the period ending June 2007 are not subject to further review; however, fuel costs and revenues for periods beginning July 2007 and thereafter shall be open issues in future proceedings and will continue to be trued-up against actual costs in such proceedings held under S.C. Code Ann. §58-27-865 as amended by 2007 S.C. Acts 16.

10. This written Settlement Agreement contains the complete agreement of the Parties. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission declines to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without

penalty, within 3 days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

11. This agreement shall be effective upon execution of the Parties and shall be interpreted according to South Carolina law.


12. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the methodology or requirements of S.C. Code Ann. §58-27-865 as amended by 2007 S.C. Acts 16 in any future proceeding.

13. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

14. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

(Signature Pages Follow)

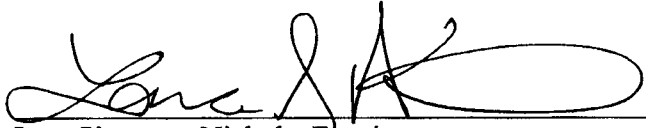
Representing and binding the Office of Regulatory Staff:



---

C. Lessie Hammonds, Esquire  
Office of Regulatory Staff  
1441 Main Street, Suite 300 Columbia, SC 29201  
Phone: (803) 737-0803  
Fax: (803) 737-0895  
Email: lhammon@regstaff.sc.gov

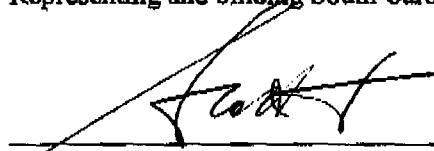
Representing and binding Duke Energy Carolinas, LLC:

A handwritten signature in black ink, appearing to read 'Lara Simmons Nichols', written over a horizontal line.

Lara Simmons Nichols, Esquire  
Duke Energy Carolinas, LLC  
526 S. Church Street, EC03T, Charlotte, NC 28202  
Phone: (704)382-9960  
Fax: (704) 382-5690  
Email: lsnichols@duke-energy.com

William F. Austin, Esquire  
Austin, Lewis & Rogers, P.A.  
Post Office Box 11716 Columbia, SC 29201  
Phone: (803) 256-4000  
Fax: (803) 252-3679  
Email: wfaustin@alrlaw.com

Representing and binding South Carolina Energy Users Committee:



Scott Elliott, Esquire  
Elliott & Elliott, P.A.  
721 Olive Street Columbia, SC 29205  
Phone: (803) 771-0555  
Fax: (803) 771-8010  
Email: selliott@elliottlaw.us

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2007-3-E**

IN RE:

Annual Review of Base Rates for Fuel Costs     )  
for Duke Energy Carolinas, LLC                     ) **CERTIFICATE OF**  
   ) **SERVICE**

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Lara Simmons Nichols, Esquire  
Catherine E. Heigel, Esquire  
Duke Energy Carolinas, LLC  
Post Office Box 1006  
Charlotte, NC 28201-1244

William F. Austin, Esquire  
Richard L. Whitt, Esquire  
Austin, Lewis & Rogers, P.A.  
Post Office Box 11716  
Columbia, SC 29201

Scott Elliott, Esquire  
Elliott & Elliott, P.A.  
721 Olive Street  
Columbia, SC, 29205

  
\_\_\_\_\_  
Pamela J. McMullan

August 16, 2007  
Columbia, South Carolina